



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
One Capitol Hill
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Memorandum

To: The Honorable Steven M. Costantino
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Rosemary Booth Gallogly
Executive Director/State Budget Officer *RB Gallogly*

Date: April 30, 2009

Subject: Amendments to the FY 2010 Appropriations Act (09-H-5983)

The Governor requests that the new article entitled "Relating to Debt Management Act Joint Resolution" submitted in an April 9, 2009 amendment to the FY 2010 Appropriations Act be replaced with the attached article. Due to a misunderstanding between the Office of Higher Education and the Budget Office, the original article submitted did not include two projects for the University of Rhode Island. Both of these projects, the URI Repaving and Road Construction Project and the URI Purchase of Fraternity House for the International Engineering Program, are included in the Governor's FY 2010 Capital Budget and have been approved by the Board of Governors.

The Governor also requests that the new article entitled "Relating to Employment Security Constructions" submitted in a March 24, 2009 amendment to the FY 2009 Appropriations Act be reconsidered for FY 2010. A copy of the article is attached. This new article suspends a 0.3% (three tenths of one percent) employer surtax that would normally take effect in any second month of a quarter in which the balance in the employment security fund fell below zero. The suspension provision would be in effect for any quarter of calendar years 2009 and 2010 in which the interest on federal advances under Title XII of the Social Security Act has been waived. It is our understanding that the surcharge was instituted to discourage borrowing from the federal government since the interest cost on federal borrowings was funded from general revenues.

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If you have any questions regarding these amendments, feel free to call me at 222-6300 or Gregory Stack at 222-2194.

RBG:sm09-153

cc: Representative Robert A. Watson
Brian Stern
Michael O'Keefe
Peter Marino
Tim Costa
Michael Cronan
Gregory Stack

1 **REVISED NEW ARTICLE (Original Sent 4/09/09)**

2 **RELATING TO DEBT MANAGEMENT ACT JOINT RESOLUTION**

3 SECTION 1. This article consists of Joint Resolutions that are submitted pursuant to Rhode
4 Island General Laws § 35-18-1, et seq.

5 SECTION 2. *Rhode Island College Recreation Center Project.*

6 WHEREAS, the Board of Governors for Higher Education and Rhode Island College are
7 proposing a project to renovate the existing recreation center on the Rhode Island College campus; and

8 WHEREAS, the recreation center, completed in 1989, is old and outdated, and requires
9 significant upgrades in order to remain a viable facility; and

10 WHEREAS, the retention and growth of student enrollment is critical to the fiscal health of the
11 College; and

12 WHEREAS, the ability to offer potential undergraduates a renovated, state-of-the-art recreation
13 center is seen as a major determining factor in the decision of students to attend the College; and

14 WHEREAS, the recreation center would be renovated and turned into a state-of-the art facility
15 as a result of the project, and

16 WHEREAS, the Rhode Island Public Corporation Debt Management Act requires the general
17 assembly to provide its consent to the issuance or incurring by the State of Rhode Island and other
18 public agencies of certain obligations including financing guarantees or other agreements; and

19 WHEREAS, the funding of the project will be financed through Rhode Island Health and
20 Education Building Corporation revenue bonds, with an expected amortization period of thirty (30)
21 years; and

22 WHEREAS, the proposed debt issuance for the project is eleven million three hundred ten
23 thousand dollars (\$11,310,000), including renovation costs of ten million dollars (\$10,000,000), cost of
24 issuance and surety premium estimated at four hundred twenty-six thousand fifty dollars (\$426,050),
25 and a debt service reserve fund of eight hundred eighty-three thousand nine hundred fifty dollars

1 (\$883,950). Debt service payments would be supported by recreation fee revenues generated at Rhode
2 Island College. Total debt service on the bonds is not expected to exceed eight hundred eighty four
3 thousand dollars (\$884,000) annually and twenty six million five hundred thousand (\$26,500,000) in the
4 aggregate, based on an average interest rate of six and one half percent (6.50%) over thirty years; now,
5 therefore, be it

6 RESOLVED, that this general assembly hereby approves financing in an amount not to exceed
7 eleven million three hundred ten thousand dollars (\$11,310,000) for the renovation of the recreation
8 center on the Rhode Island College campus; and be it further

9 RESOLVED, that this Joint Resolution shall apply to bonds issued on or before June 30, 2010.

10 SECTION 3. *URI Repaving and Road Construction Project.*

11 WHEREAS, The Board of Governors for Higher Education and the University of Rhode Island
12 are proposing a project which involves the re-pavement and reconstruction of major parking facilities,
13 internal roadways, and walkways and associated drainage infrastructure on the University's Kingston,
14 Narragansett Bay, and W. Alton Jones Campuses and the construction of an important new roadway
15 extension and two roadway connections on the Kingston Campus; and

16 WHEREAS, the University has made some progress in the improvement of its extensive
17 inventory of paved surfaces on its Campuses, the scope of repaving and reconstruction is substantial
18 and ongoing; and

19 WHEREAS, the roadway extension is a key feature of the University's Kingston Campus
20 Master Plan that will provide better traffic flow to and from perimeter parking lots and Campus
21 destinations day to day as well as for special events via the increasingly important Plains Road Entrance
22 to the Kingston Campus; and

23 WHEREAS, the road extension's direct connection to the western terminus of Flagg Road will
24 also facilitate vehicle traffic moving to and from the future research and technology park planned for
25 portions of a 300-acre undeveloped parcel of University land immediately north of Flagg Road; and

1 WHEREAS, the minimization of traffic congestion and improved traffic flow patterns are
2 mutual objectives of both the University and the Kingston area community; and

3 WHEREAS, the design and execution of this Master Plan recommended road extension is
4 planned for a period when the University and the Town of South Kingstown are interacting with the
5 Rhode Island Department of Transportation on the final design of a major project to enhance design and
6 traffic management features on Route 138, the main State roadway serving the Kingston area; and

7 WHEREAS, these timely road project commitments serve the objectives of both the University
8 and the local community; and

9 WHEREAS, a new roadway connection between Fraternity Circle and Baird Hill Road will
10 enable direct vehicle and emergency response access between the fraternity and sorority area and the
11 core of the Campus and will allow for the curb cut onto Route 138 to be closed as part of an upcoming
12 RIDOT project, which is a favorable traffic flow and traffic safety measure on busy Route 138, and

13 WHEREAS, an access road into the University's property north of Flagg Road is also
14 contemplated, consistent with plans for the initial phase of the Research Technology Park, and

15 WHEREAS, the Rhode Island Public Corporation Debt Management Act requires the General
16 Assembly to provide its consent to the issuance or incurring by the State of Rhode Island and other
17 public agencies of certain obligations including financing guarantees or other agreements; and

18 WHEREAS, the design and paving work will be financed through Rhode Island Health and
19 Education Building Corporation revenue bonds, with an expected term of twenty (20) years in the
20 amount of fifteen million two hundred thousand dollars (\$15,200,000); and

21 WHEREAS, the project costs associated with completion of the project and proposed financing
22 method is fifteen million two hundred thousand dollars (\$15,200,000), with approximately thirteen
23 million four hundred sixty thousand dollars (\$13,460,000) deposited in the project fund, approximately
24 one million three hundred thousand dollars (\$1,300,000) deposited in a debt service reserve fund and
25 approximately four hundred forty thousand dollars (\$440,000) available to pay the associated costs of

1 financing. Debt Service payments would be supported by both University's unrestricted general
2 revenues and enterprise funding from the University of Rhode Island Parking Services operation. Total
3 debt service on the bonds is not expected to exceed one million three hundred sixteen thousand dollars
4 (\$1,316,000) annually and twenty six million three hundred twenty thousand dollars (\$26,320,000) in
5 the aggregate based on an average interest rate of six percent (6%); now, therefore be it

6 RESOLVED, that this general assembly hereby approves financing in an amount not to exceed
7 fifteen million two hundred thousand dollars (\$15,200,000) for the repavement and reconstruction of
8 major parking facilities, internal roadways, and walkways and associated drainage infrastructure on the
9 University of Rhode Island's Kingston, Narragansett Bay and W. Alton Jones campuses and the
10 construction of a new roadway extension and two roadway connections on the Kingston Campus; and
11 be it further

12 RESOLVED, that this Joint Resolution shall apply to bonds issued on or before June 30, 2010.

13 *SECTION 4. URI Purchase of Fraternity House for the International Engineering Program*

14 WHEREAS, The Board of Governors for Higher Education and the University of Rhode Island
15 are proposing a project which involves an installment purchase of the former Sigma Alpha Epsilon
16 Fraternity House at 67 Upper College Road, on the Kingston Campus of the University of Rhode Island
17 from the Rhode Island Alpha Chapter of Sigma Alpha Epsilon Building Fund, Inc., which has been
18 leased by the University for the International Engineering Program (IEP) during the last ten years; and

19 WHEREAS, the International Engineering Program has prospered and grown in enrollment and
20 stature during the period of the building lease, which enabled the Program to house its administrative
21 offices and provide convenient and attractive on-campus housing and dining to Rhode Island and out-of-
22 state students, pursuing the Program's dual majors in engineering and foreign languages; and

23 WHEREAS, the building has been maintained in good physical condition and has operated
24 effectively, with the support of room and board revenues derived from the resident students, and

1 WHEREAS, the Board of Governors has, per its Agreement with the fraternal organization, the
2 right to exercise an option to purchase the building in the event that the Board deems that it is in its
3 interest to do so and

4 WHEREAS, the fraternal organization has expressed a willingness to sell the subject building to
5 the Board and the University in accordance with the terms of the referenced Agreement, and

6 WHEREAS, the Rhode Island Public Corporation Debt Management Act requires the General
7 Assembly to provide its consent to the issuance or incurring by the State of Rhode Island and other
8 public agencies of certain obligations including financing guarantees or other agreements; and

9 WHEREAS, the building acquisition will be financed through an installment purchase
10 transaction or a financing vehicle of similar or more favorable terms; and

11 WHEREAS, the total purchase price of the building is one million one hundred thousand
12 dollars (\$1,100,000), but the portion of the building purchase that would be subject to the installment
13 purchase or similar financing vehicle is eight hundred fifty thousand dollars (\$850,000), with a one-
14 time down payment in FY 2010 of two hundred fifty thousand dollars (\$250,000). Installment Purchase
15 or Debt Service payments would be supported by revenues derived from IEP student residents and/or
16 support from other revenues of the University of Rhode Island. Annual installment purchase or debt
17 service payments are not expected to exceed eighty seven thousand dollars (\$87,000) annually and one
18 million two hundred ninety one thousand dollars (\$1,291,000) dollars in the aggregate based on an
19 average interest rate of six percent (6.0%) over a term of fifteen (15) years; now, therefore be it

20 RESOLVED, that this general assembly hereby approves financing in an amount not to exceed
21 eight hundred fifty thousand dollars (\$850,000) for installment purchase of the former Sigma Alpha
22 Epsilon Fraternity House at 67 Upper College Road on the Kingston Campus of the University of
23 Rhode Island for use by the International Engineering Program; and be it further

24 RESOLVED, that this Joint Resolution shall apply to financing completed on or before June
25 30, 2010.

SECTION 5. This article shall take effect upon passage.

1 (5) Whenever, as of September 30, 1987, or any subsequent computation date the
2 amount in the employment security fund available for benefits is four and seven-tenths percent
3 (4.7%) but less than five and three-tenths (5.3%) of total payrolls as determined in § 28-43-
4 1(9), an experience rate for each eligible employer for the immediately following calendar year
5 shall be determined in accordance with schedule E in this subsection.

6 (6) Whenever, as of September 30, 1987, or any subsequent computation date the
7 amount in the employment security fund available for benefits is three and six-tenths percent
8 (3.6%) but less than four and seven-tenths (4.7%) of total payrolls as determined in § 28-43-
9 1(9), an experience rate for each eligible employer for the immediately following calendar year
10 shall be determined in accordance with schedule F in this subsection.

11 (7) Whenever, as of September 30, 1987, or any subsequent computation date the
12 amount in the employment security fund available for benefits is three percent (3%) but less
13 than three and six-tenths (3.6%) of total payrolls as determined in § 28-43-1(9), an experience
14 rate for each eligible employer for the immediately following calendar year shall be determined
15 in accordance with schedule G in this subsection.

16 (8) Whenever, as of September 30, 1987, or any subsequent computation date the
17 amount in the employment security fund available for benefits is two and seventy five
18 hundredths percent (2.75%) but less than 3 percent (3%) of total payrolls as determined in §
19 28-43-1(9), an experience rate for each eligible employer for the immediately following
20 calendar year shall be determined in accordance with schedule H in this subsection.

21 (9) Whenever, as of September 30, 1987, or any subsequent computation date the
22 amount in the employment security fund available for benefits is less than two and seventy five
23 hundredths percent (2.75%) of total payrolls as determined in § 28-43-1(9), an experience rate
24 for each eligible employer for the immediately following calendar year shall be determined in
25 accordance with schedule I in this subsection.

1 (10) Whenever the amount in the employment security fund available for benefits, net
2 of obligations owed to the federal government, is less than zero at the end of the second month
3 in any calendar quarter, every employer subject to the contribution provisions of this chapter
4 shall be required to pay a surtax of three-tenths of one percent (.3%) of the individual
5 employer's taxable wages for the calendar quarter, in addition to any other contribution which
6 the employer is required to make under any other provision of this chapter; provided, however,
7 that this surtax shall not be imposed during any quarter of calendar years 2009 and 2010 during
8 which the interest on federal Title XII advances under section 1201 of the Social Security Act
9 has been waived.

10 (See Table at End of Document)

11 (b) The contribution rate for each employer for a given calendar year shall be
12 determined and the employer notified of it not later than April 1 next succeeding each
13 computation date. That determination shall be binding unless an appeal is taken in accordance
14 with provisions of § 28-43-13.

15 SECTION 2. This article shall take effect upon passage.

16

**TAX
SCHEDULES**

Employer's Account	Schedule A	Schedule B	Schedule C	Schedule D	Schedule E	Schedule F	Schedule G	Schedule H
<u>Reserve</u>	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
<u>Percentage</u>	Ratio of Fund	Ratio of Fund	Ratio of Fund	Ratio of Fund	Ratio of Fund	Ratio of Fund	Ratio of Fund	Ratio of Fund
	6.4% or more	6.1% but less than <u>6.4%</u>	5.8% but less than <u>6.1%</u>	5.3% but less than <u>5.8%</u>	4.7% but less than <u>5.3%</u>	3.6% but less than <u>4.7%</u>	3.0% but less than <u>3.6%</u>	2.75% but less than <u>3.0%</u>
<u>Positive</u>								
<u>Percentages</u>								
17.00 and over	0.6	0.7	0.8	0.9	1.0	1.2	1.5	1.7
15.50 to 16.99	0.8	0.9	1.0	1.1	1.3	1.5	1.8	2.1
14.00 to 15.49	0.9	1.0	1.2	1.3	1.5	1.7	2.0	2.3
12.50 to 13.99	1.1	1.2	1.4	1.5	1.7	2.0	2.3	2.6
11.00 to 12.49	1.3	1.4	1.6	1.7	1.9	2.2	2.5	2.8
9.50 to 10.99	1.5	1.7	1.8	1.9	2.1	2.4	2.7	3.0
8.00 to 9.49	1.7	1.9	2.0	2.2	2.4	2.7	2.9	3.2
6.50 to 7.49	1.9	2.1	2.3	2.5	2.6	2.9	3.1	3.4
5.00 to 6.49	2.1	2.3	2.5	2.7	2.8	3.1	3.4	3.6
3.50 to 4.99	2.3	2.5	2.7	2.9	3.0	3.3	3.7	3.9
2.00 to 3.49	2.5	2.7	2.9	3.2	3.3	3.6	3.9	4.2
0.00 to 1.99	2.7	3.0	3.2	3.4	3.6	3.9	4.2	4.5
<u>Negative</u>								
<u>Percentages</u>								
-0.01 to -1.99	3.0	3.3	3.5	3.8	4.2	4.5	4.8	5.1
-2.00 to -3.99	3.3	3.5	3.8	4.1	4.5	4.8	5.1	5.4
-4.00 to -5.99	3.6	3.8	4.1	4.4	4.8	5.1	5.4	5.8
-6.00 to -7.99	3.9	4.1	4.4	4.7	5.1	5.4	5.8	6.2
-8.00 to -9.99	4.2	4.4	4.7	5.0	5.4	5.8	6.2	6.6
-10.00 to -11.99	4.5	4.7	5.0	5.4	5.8	6.2	6.6	7.0
-12.00 to -13.99	4.8	5.0	5.4	5.8	6.2	6.6	7.0	7.4
-14.00 to -15.99	5.1	5.4	5.8	6.2	6.6	7.0	7.4	7.8
-16.00 to -17.99	5.4	5.8	6.2	6.6	7.0	7.4	7.8	8.2
-18.00 to -19.99	5.8	6.2	6.6	7.0	7.4	7.8	8.2	8.6

-20.00 to -21.99	6.2	6.6	7.0	7.4	7.8	8.2	8.6	9.0
-22.00 to -23.99	6.6	7.0	7.4	7.8	8.2	8.6	9.0	9.4
-24.00 and over	7.0	7.4	7.8	8.2	8.6	9.0	9.4	9.8